

2008 State of the State Address

Governor Donald L. Carcieri

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Mr. Speaker, Mr. President, members of the General Assembly, my fellow General Officers, members of the Judiciary, First Lady, Sue Carcieri, distinguished guests, and my fellow Rhode Islanders.

In past years, I have come before you and described the progress made and challenges before our State in virtually every area: the economy and jobs, education, health care, energy, housing and homelessness, our infrastructure, and our environment. And I have done so in generally favorable and optimistic terms, because I am so positive about our State's potential. And we continue today to make progress in all these areas:

- We are on the cutting edge of renewable energy and are pursuing options vigorously;
- We have made fundamental reforms in our educational standards and assessments, and are implementing a new Graduation Proficiency standard to ensure a Rhode Island high school diploma has real value;
- We continue to grow jobs, (3,300 last year) as companies like Fidelity, Bank of America, Citizens, FM Global, Raytheon, and Electric Boat remain committed to Rhode Island;
- We are advancing an innovative health care agenda, emphasizing wellness, personal responsibility, and the use of information technology to reduce costs.

I could continue, and spend the entire time tonight discussing all the good things that are underway. But, I am not going to do that. Because the State of our State is at a tipping point. It is teetering, ready to move dramatically in one direction or another. All of Rhode Island's virtues, all of its assets, all of Rhode Island's bright promises are overshadowed

and, in fact, threatened by the budget crisis we face. It's the 800 pound gorilla in the room.

Tonight, I am going to have a very frank discussion with all Rhode Islanders. We are facing the largest budget deficit since the credit union crisis in 1991. This huge deficit is imperiling all the progress we have made. We are staring at a combined \$550M deficit this year and next. It is time for action!!

I'm sure you're saying, "How did it get this bad?" "How's that possible?" – We didn't get here overnight – it has been more than a decade in the making. Our government has been spending beyond its means, and has been depleting its savings to pay the bills. It's just like anyone of you out there tonight who has been spending beyond your income, using a credit card to support yourself, and then paying off the credit card by taking money from your savings account. When the savings account is empty, you have to stop the spending!

State government is no different, it has to reduce expenditures and live within its means! Well, there is one big difference! You can't go to your employer and say, "By the way, I'm spending more than I can afford. I need a raise!"

The state, however, can go to its taxpayers and say, "I need more money from you," and raise taxes! As your Governor, I am not going to do that!

Our citizens are already too highly taxed. When you combine the income tax, the sales tax, and property taxes, Rhode Islanders bear the 7th highest tax burden in the country! We cannot increase that burden! We should be lowering it!

The vast majority of hard-working, taxpaying citizens have had enough! They want us to stand up for them! They can barely pay their own rising expenses, let alone afford more demands from their state and local governments!

I see neighbors and friends – young and old, and in between – facing \$3 a gallon gasoline prices, \$3.40 a gallon for home heating oil (\$800 to fill a tank!), rising food and utility prices, rising health care costs and increased mortgage payments – the last thing they need is rising taxes! The General Assembly and I have a job to do for them – cut the cost of government, all government.

Time has come for action. To solve this budget crisis we must deal with both the short-term problem, as well as create the basis for long-term fiscal health. The first task is to control spending to a level that is sustainable in the years ahead.

Therefore, I am proposing a budget for the remainder of this year, and all of next year that will reduce spending by \$300M. This will result in a fiscal '09 budget that is less than the previous year; the first time since the credit union crisis.

All state employees, all state vendors, contractors and providers, and all municipalities will be affected. A reduction of this magnitude must reach across all of these. They are the three major areas of all state spending.

- 1) Personnel expenses that include: (wages, health care costs, and pensions);
- 2) Welfare, social service, and entitlement programs; and
- 3) Payments from the state to municipal governments for schools and other services.

The Supplemental Budget I submitted last week, and the Fiscal '09 Budget I will be submitting next week propose reductions in all of these areas.

Regarding Personnel Costs, we are in the process of reducing the state workforce by 1,000 people, which means we will be organized differently and operate more efficiently. Today, every business – large and small, for-profit or not-for-profit – has to constantly re-engineer, and re-organize itself to become more competitive, and deliver its services at lower cost. The public sector – government – must do the same.

We must also bring the public employees compensation, fringe benefits, and work week back into line with the vast majority of private-sector employees who are also the majority of the taxpayers.

Currently, the average state employee earns \$61,000 per year in salary with fringe benefits valued at another \$34,000, (a total of \$95,000) and a 35-hour work week. Bringing the health care, pension benefits and work week into line with the private sector could save the state tens of millions per year. This will be the focal point of our contract negotiation with labor leadership.

I have already proposed changes to the state's overly generous retiree health plan. Mr. Speaker, I support your proposal to move toward a 401K pension plan and I look forward to working with you.

Additionally, to achieve the type of cost savings and efficiencies in the way the state does business, Rhode Island companies should be able to compete to deliver state services. The barriers to competition, such as the anti-privatization statute passed last session, must be taken down. I will work with the General Assembly to implement this reform.

The second major area of spending is welfare, social service, and entitlement programs. Unfortunately, our current social service system is badly broken – riddled with inefficiencies and difficult for the individuals and families it serves to navigate and understand.

Instead of providing our citizens in the greatest need with the support required to optimize their health and safety and gain or retain their independence, we instead have a system that perpetuates dependency and strips individuals of their ability to make reasoned and responsible choices about the quality of their lives.

To preserve a strong safety net for those in need, we intend to transform our welfare, human service, and entitlement programs.

By doing this, we will ensure that the safety net for needy children, our elderly, the poor, and people with disabilities is secure and sustainable.

Next week, I will propose a fundamental reform of the state's system for providing health care to our most vulnerable citizens. This initiative, which I call my CONSUMER CHOICE REFORM PLAN will transform the state's Medicaid program – the state/federal partnership that provides health care to the needy – from one centered on institutions and agencies to a system that focuses on the people who use it: our children, elderly, and those with disabilities.

One example of the kind of reform I am talking about is in the area of long-term care. I know from experience that most seniors would prefer to stay in their homes, or be cared for by a loved one, rather than enter a nursing home. All the data shows that not only does it result in greater longevity and improved quality of life – in fact it is less costly.

Our long-term care system has been principally focused on nursing homes. In fact, we have one of the highest percentages of seniors in nursing homes when compared with other states. 5.2% of RI seniors are in nursing homes, more than twice the rate of leading states.

We will change that emphasis.

No longer will seniors be forced into nursing homes because they need help taking medicine or services that can be provided in their own homes. Our seniors deserve to live independently and with dignity.

Much like our Medicaid program, our Family Independence Program needs reform. It has been ineffective at promoting self-sufficiency. Rhode Island has one of the poorest records in the country for getting people off welfare and into the workforce. As things stand now, 70% of families in the program have been on cash assistance for more than

two years; 50% of those families have been on assistance for over 5 years, and 25% of those families have been receiving cash assistance for 10 years.

The system has encouraged long-term dependence, and provided generous supports. With the new budget, we will introduce Rhode Island's Work First Program. This program is designed to accelerate movement out of poverty.

It will require an immediate Employment Plan for all participants, and will provide support for a maximum of 2 years. Families in need deserve better than continued dependence on the state. Work First will achieve the real purpose of our programs: strong families who have the spirit and means to pursue their dreams.

The other major category of state expenditure that requires comprehensive reform is direct aid to our cities and towns. Last year, the state provided \$1.1B in municipal assistance, and almost \$900M of that was for schools.

We need our cities and towns to undertake the same kinds of personnel, health care, and pension reforms that state government is advancing. To assist in that effort, I am proposing legislation that will remove the designation of any specific health care provider from all local contracts. It will allow one, umbrella health care contract that would include all state, municipal, and school employees.

This will save tens of millions of dollars for property taxpayers by creating competitive bidding by the health insurers. Using this approach, the state will achieve over \$41M in savings over the life of the contract.

In addition, we need for our cities and towns to look aggressively at consolidating services and reducing overhead cost. Rhode Island municipal cost for fire protection is 1st in the nation, and it's cost for police protection is 10th. Property taxpayers cannot afford the status quo any longer. Municipalities need to look at ways to share these services, and save money.

The major area of spending for cities and towns is our public school system. Rhode Island spending per pupil is the 9th highest in the nation. As a result of these high rates of spending - 1st, 10th and 9th, Rhode Island's property tax burden is the 5th highest in the nation.

I have asked RIPEC to undertake a comprehensive review of the cost of our existing school system.

In Rhode Island, we have 36 school departments overseeing 150,000 students – the County of Fairfax, Virginia, with the same student population has 1! I have asked RIPEC to evaluate various options, and to project the statewide savings to the taxpayers. This will provide the data we need for real action.

My message tonight to all municipal officials is that this deficit is not just a state-government problem – it's a state-wide problem!!

If we are successful in reducing spending at all levels of government, we will be able to make plans for the future that will put Rhode Island in a position to prosper.

This crisis presents us with an unprecedented opportunity to make fundamental and lasting change that will quicken the transformation of Rhode Island from a ship today taking on water, to a world-class vessel.

I am very well aware that there are many inside and outside state government who are invested in keeping things the way they are. That is not an option, it is not sustainable. We need discipline in spending and reforms in all of those areas I have mentioned: Personnel, Social Services, and Local Aid. If any one of them would be exempt from this plan, the others would bear a greater burden.

Everyone must be part of this plan. All the vested interests need to put aside their **self** interest and act in the **best** interest of all Rhode Islanders.

I understand all the advocates who represent their constituencies; I understand the pressure that builds within these four walls, and the relentless effort to solicit legislative members to specific agendas; I understand the false characterizations when you have to say, “No.”

But I also understand that the vast majority of hard-working, tax-paying citizens have had enough, and many of them have voted with their feet, and left. They want someone to stand up for them!

Tonight, I ask the General Assembly, the Public Employee Union Leadership, and all municipal officials to work together with my administration to find ways to implement these changes.

They will transform our state and secure an exciting future for our children. In the world of politics, we may be Republicans, Democrats, or Independents – but we are all Rhode Islanders, and we’re here because we love our state. To fix this problem, it will take all of us in this room working together.

If we are not willing to make the hard choices, then the tipping point will lean to the side of disaster, and we will have failed the people who sent us to serve them.

Let me take a few moments to talk directly to every Rhode Islander who is watching this address on television, listening on the radio or reading about this in the morning newspaper. Most of you only want to know one thing: “What does this plan mean for me and my family?”

The answer is --- No tax increases! If this plan is implemented, your taxes won’t go up.

But you should also know this. This plan faces many obstacles. Everyone with something to lose will lobby this Assembly furiously against these spending reductions. If they succeed, this plan will falter and your taxes will go up.

We are a small state at a vulnerable point, and our nation is entering a very unsettled time!

So, tonight, I call on you – the hardworking Rhode Islander; the average citizen anxious about your own rising costs and the nation's economic outlook – to make your voice heard.

Your voice must be just as loud as the powerbrokers and special interests that regularly patrol these halls. If you want change, you must be a part of it!

In closing, last month, you may recall that I took a trip to the other side of the world. I visited our troops in Iraq, Kuwait and Afghanistan. It was an eventful trip and not just because of what happened back here in Rhode Island!

It was a remarkable trip because of what I witnessed in those countries. Our National Guard, and active military, our friends and neighbors, our family members, our fellow Rhode Islanders were standing at the front line for us.

I went to bring them our best wishes and support. I came back with a renewed awe for what ordinary people are willing to do.

These men and women are interrupting their lives, forgoing irreplaceable time with their children and loved ones, setting aside careers and personal goals, in effect suspending their lives and the lives of their families. In 20 cases, they made the ultimate sacrifice and gave their lives, all for us, so that we can live in security and freedom. What courage and commitment!

That is an immeasurable sacrifice for the greater good. We owe them more than we can ever repay.

Let us take a moment to thank them in the person of Major Michael Manning, First Sgt. Lynda Aul, and Senior Airman Chris Coleman. Major Manning has served for two deployments in Iraq and received the Bronze Star.

First Sgt. Aul, also a recipient of the Bronze Star returned home to Cranston in September from Iraq. Senior Airman Chris Coleman chose to serve extended duty in Iraq. We thank you and all the men and women you represent. (lead applause)

We also want to recognize their families and all the Rhode Island families like them who are making sacrifices.

First Sgt. Aul's mom, Pat Nordquist is here; Senior Airman Coleman's mother is here, Nancy Wasilewski; and Major Manning's wife, Meg, who soldiered on at home with their three children, is here as well. Please stand.

Making the hard choices for the greater good. Being willing to commit to something bigger than ourselves. That is what we are being called to do tonight and in the coming months. With just a fraction of our soldiers' spirit we can summon the courage and wisdom to do the right thing, we can stand up for the future of our state, we can ride the winds of change to a bright future for us all.

May God strengthen us in this task.